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Moscone's Proposition 13 article

George Moscone

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San Francisco and Proposition 13

By GEORGE R. MOSCONE

Much has been said and written in recent weeks about the implementation of Proposition 13 in San Francisco. I am pleased to have this opportunity to set the record straight for the readers of *brief/case*, and to explain the steps which I have taken both before and after the June 6 election to help our community adjust to the Jarvis-Gann initiative.

During the last election, it became clear that Proposition 13 would slash San Francisco's operating budget by \$157 million. Overnight, the property tax revenues of this city would be reduced by a whopping 57%. That's a major reduction for this or any other community, so even before June 6 my staff began preparation for a "worst case" budget—that is, a budget which reflected this reduction and made no assumptions about additional revenues flowing into the city.

This was a sound, prudent decision, because at that point we had no idea how much money we would receive from the state's surplus revenues, if any. I could not make rash predictions about this surplus, nor could any other reasonable public official. The plain fact was that we had to prepare ourselves for very lean times, and our

preliminary budget calculations reflected this realism.

When I told the people of our city that San Francisco had to be prepared for drastic cutbacks under this austere budget, I was quite serious. It was clear that a straight reduction of \$157 million required the cutback and, in some cases, the outright elimination of many key services in this community. It meant that thousands of employees would have to be fired.

During the heat of the campaign and thereafter, some individuals believed that these predictions were "scare tactics." But nothing could be further from the truth. A city like San Francisco is required by law to balance its budget, and we knew that if 57% of our property tax revenues were removed there would be major reductions in the services this community could provide. Those were not "scare tactics;" they were cold, hard facts. A reduction of that magnitude went far beyond "fat" and "inefficiency." It struck at the heart of our city's delivery of services.

Fortunately I was joined in my determination to avoid wholesale dismemberment of this community by a majority of the members of the Board of Supervisors. We determined that San Francisco should partially compensate for this funding loss by transferring surplus city revenues on a one-time basis into our general fund. In this way we could begin to restore absolutely vital services that would otherwise be cut back or eliminated.

Additionally, we enacted a series of revenue-raising measures to provide our city with additional revenues in future years. With San Francisco's future property tax revenue limited so severely by Proposition 13, it seemed prudent to allow for some growth, however minimal, in this city during coming years. These revenue-raising measures involved increases in our business, real property transfer and parking taxes.

But that was not all we did to adjust to Proposition 13. By virtue of an emergency proclamation, we contemplated an increase in MUNI fares, so that our public transportation sys-

tem would not suffer severe service cutbacks.

Perhaps our most important move was to rescind salary increases for *all* city employees during the coming year. We knew that Proposition 13 compelled us to make significant sacrifices in the future fiscal operations of this city, and the \$30 million we saved by cancelling all employee increases was a difficult but necessary step in this direction.

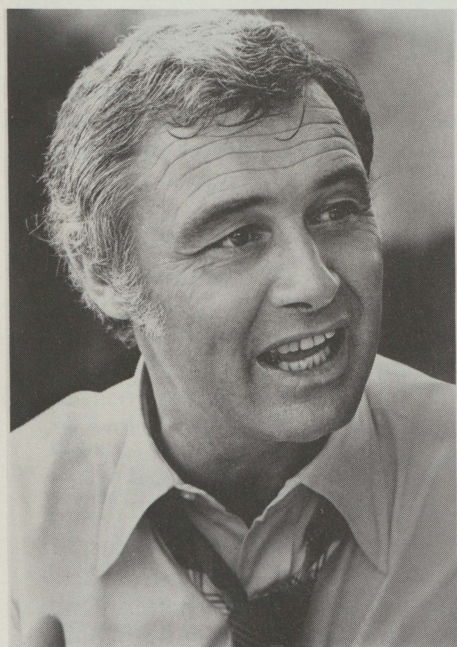
Needless to say, our city proceeded to trim its budget significantly in the aftermath of the June election. Ultimately I was able to approve a new budget that cut an additional \$44 million from city expenditures in the aftermath of June 6.

All of these steps were taken with the understanding that major reductions had to be made in the size and cost of local government as a result of Proposition 13. At the time, we did not have even a remote idea as to the amount of one-time surplus we might receive from Sacramento—nor did any other California community.

Last month, however, we learned that San Francisco would receive an exceptionally generous allocation of state surplus funds for the coming fiscal year. Subsequent to the election, I had addressed the joint legislative committee in Sacramento charged with parcelling out surplus funds, and I had made the case that San Francisco should be treated specially because of its dual city and county status. I was gratified that the legislature ratified this exception, and awarded San Francisco over \$100 million in one-time surplus funds for this coming year.

With such an unexpectedly large surplus coming our way, it was necessary to alter some of the earlier decisions we had made. First, we no longer needed to increase MUNI fares on an emergency basis. The system could function normally during the coming year, and I'm sure that our decision to freeze bus fares at their current level came as good news to countless San Franciscans.

Equally important, however, was my decision to defer—for at least one year—the collection of the new tax increases which had been approved jointly by myself and the Board of Supervisors. The one-time surplus allocation obviated the need for any increased taxes in San Francisco at this



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time. I felt it was a matter of good faith for us to hold off on these tax increases, at least for one year.

But I argued at the time—and I believe just as strongly today—that our city must give itself the flexibility and latitude in future years to generate some revenues, however minimal, beyond the strict limits of Proposition No. 13.

There are a number of reasons for this.

First, every city must experience some growth, however slight, over the passage of time. Despite the best efforts of my budget staff to cut city expenditures to the bone over the last few years, we have always recognized that city expenditures must increase somewhat every year, simply because of inflation.

This kind of growth can't be ignored, but Proposition 13's strict formula for local taxation does not take such a fundamental factor into account. Additionally, the measure's requirement that all new taxes be approved by a two-thirds majority of all registered voters makes it virtually impossible for key revenues to be generated at the ballot box, at least in the near future.

So I believe that San Francisco must at least preserve the option of garnering modest revenues in future years, through the imposition of standby taxes. And it's clear that we should collect such taxes only if it is absolutely necessary. If we don't need these additional revenues, we can simply continue to defer them.

But as the readers of *briefcase* are aware, Proposition 13 set a deadline of July 1, 1978, for any such actions by local government. If a move to rescind this standby insurance is approved after July 1, we will forever be at the mercy of Sacramento and Washington for any additional revenues the city might require.

As the Mayor of San Francisco, I find that to be intolerable. I don't want this city to forfeit the little fiscal latitude it has left under Proposition 13. That's why our community must preserve at least the option to generate additional revenues—and then only if they are needed.

There have been arguments that the state will continue to experience an unexpectedly large surplus in coming years, and that San Francisco need

not approve such standby tax measures.

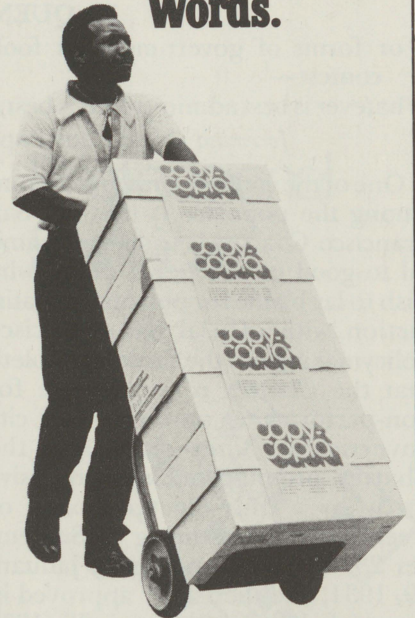
But this argument is dangerous and highly misleading.

For one, the most reliable fiscal estimate I have seen suggests that the state's surplus next year will be only half of what it was this year. That figure is based on a complete repayment of \$900 million in emergency loans parcelled out to local government, as well as a continuing boom in the state's economy. I think that's a highly arbitrary reading of the crystal ball on which to base our fiscal future here in San Francisco.

But more important, it's evident that the considerations of a political year compelled our legislature to flush out the *entire* surplus to local governments in recent weeks. Even if there is a healthy state surplus in the future, it would be naive to assume that the legislature would proceed as it has this year, and once again return revenues to cities and counties. As a nine-year veteran of the legislature, I can tell you that it would be far more likely for Sacramento to return any surplus *directly* to the voters in the

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From the Mayor

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form of a tax cut. In that case, we could not count on a surplus allocation anywhere near the amount we received this year.

The point is that San Francisco cannot base its fiscal destiny on the actions—or inaction—of the state legislature. We must be free to chart our own course in coming years, and that is why the approval of standby taxes is so very important to the future of this community.

With all our efforts to adjust to Proposition 13, there are still some individuals who claim that San Francisco has been “unaffected” by Jarvis-Gann, and that its government has somehow “failed to get the message” of the last election. Nothing could be further from the truth.

When all 25,000 city employees, from top officials on down, are denied a pay increase this year because of Proposition 13, that's a sacrifice of \$30 million.

When the inevitable layoffs take place, and both permanent employees

and CETA workers find themselves in unemployment lines, that's a major sacrifice as well. For we must never forget that the real impact of Proposition 13 on our work force will be felt *next year*—when the state surplus is no longer with us and major cutbacks ensue.

During the next year, this city will continue its effort to streamline local government. We're going to scrutinize departmental budgets with great care, cut out waste and inefficiency, and improve our delivery of services. No one should think that San Francisco has not heard the call for increased efficiency in government.

But I should stress that none of these activities flow from the passage of Proposition 13. Long before Howard Jarvis became a media item, this city embarked on an effort to streamline its operations. During my tenure as Mayor, the work force of this city has declined by more than 1,000 employees. We have moved program budgeting from rhetoric to reality, and should reap the fiscal benefits of this new system very soon. The November ballot will present cost-effective reorganization proposals to the voters—and these are proposals which my office devised long before the first mention of Proposition 13.

I'm proud that, when all is said and done, this city is still on its feet after the June election. In the coming year we will enjoy first-rate police and fire protection, full MUNI services, and a community which tries to meet the needs of its residents. In contrast to many other California cities, we are not pushing any panic buttons. San Francisco will survive Proposition 13, as we have survived so many challenges in the past.

Undoubtedly there will be sacrifices in the coming years. As Mayor, I do not relish the need to reduce services, and terminate hardworking employees. These decisions become doubly difficult since San Franciscans did *not* vote to approve Proposition 13.

But certainly we will comply with the law of the state. As I said immediately after the June election, I am determined that our city work, and work well, under Proposition 13. With the cooperation and understanding of all San Franciscans, that is a promise I intend to keep. ■



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